

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## ***What Can U.S. Do If Chiang's Government Falls?***

The debacle of Nationalist forces in Manchuria, the abandonment by the Chiang Kai-shek government of its short-lived currency-reform, the attempted resignation of Prime Minister Wong Wen-hao, and an epic battle at Suchow, where masses of troops were reported to be engaged on both sides, have diverted American attention from Europe to Asia. These rapid-fire developments have produced much second-guessing and recrimination in the United States. Disaster to so many individuals and institutions of deep concern to Americans comes as a profound shock, and glib analyses are being broadcast—that we must either “pull out” of China or go “all-out” against Chinese communism, that we have had a policy of “no policy,” and that General Marshall’s mediation in 1946, by trying to get the Chinese Communists into a coalition government, “aided the Communists against our ally Chiang Kai-shek.” Fears are also expressed that “as China goes, so goes Asia.”

Most of this discussion is without foundation. We have no way of giving “all-out” aid against Chinese communism except by sending to China a large American expeditionary force which we do not possess. We can neither honorably nor expediently “pull out” of China and avoid its problems, which will be with us for years to come. The Marshall mediation in 1946 represented a valiant effort to save us from the present disaster by drawing the Chinese Communists into a political framework where National government reforms, with our peacetime help, might have some chance of competing effectively with the Communist program. The alternative to coalition government then

was civil war. Extremists on both sides, including Chiang Kai-shek, chose civil war—and we are now witnessing the result. The fear, however, that Chinese communism will sweep on, toppling the nations of Southeast Asia like so many dominoes, overlooks the fact that the nationalist movements in these countries all have to contend with troublesome Chinese minority problems and want no outside domination, either Chinese or Western.

### ***Neglected Factors***

One significant aspect of the present crisis that commentators often overlook is that, since Marshall’s return from China in January 1947, our China aid policy has been made more by Congress than by the State Department. This policy has now proved bankrupt because Congressional policy-makers have failed to heed several fundamental factors in the Chinese revolution.

The first of these factors is that the Chinese Communist program may indeed be cynically ruthless, economically unsound, swayed by Moscow, and feared by many Chinese. Compared with the overall Kuomintang program, however, it remains preferable from the point of view of the great majority of poor peasants. This merely indicates the very low standard of Chinese political life, which most Americans find difficult to understand.

Another fundamental factor is that Russia’s influence in China has been primarily not material, but ideological. Concrete Russian aid to Chinese communism may be greater than we can now prove, but it has by no means equaled the two-and-one-third billion dollars of American

aid which has gone to Nanking since V-J Day. What has become increasingly clear is that we cannot offset the Russian ideological influence by purely material means.

The Foreign Assistance Act of April 1948 did recognize that China is unlike Europe, where long-established industrial economies can be energized by our material aid, and increased production of goods can be expected to offset Communist disruptive tactics. China lacks the industrial wherewithal for a comparable achievement. Its economy has been shattered by Japanese invasion, civil war, and the resulting inflation. The United States can continue stopgap relief like the present economic program, but only as a holding operation which, it must be recognized, has small chance of actually maintaining the *status quo*.

This means that the demoralization of Kuomintang China—isolation of cities from the countryside (recently intensified by Nanking’s change to a new currency), paralysis of production, “desertion” of the intellectuals, corruption of officials, surrender of armies—is likely to become accelerated. Material aid from the United States cannot stop this process. Foreign arms and food for the police will not maintain a Chinese regime once it has so clearly lost the tacit acquiescence of the population—in old parlance, the Mandate of Heaven. The fact is that Chiang Kai-shek has had twenty years in which to compete with communism for the support of the Chinese peasantry, and he has lost. However, the northern Shensi radio station controlled by the Communists, while claiming that the Nationalist government was

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"nearing collapse," stated over the weekend of November 14 that it would take a year to uproot it, and a "longer time" to "liberate" the entire country.

### ***The Next Phase***

Our new policy for the next phase of the Chinese revolutionary process must start by a realistic evaluation of the existing situation. The essential point to bear in mind is that the "cold war" as an ideological conflict must be conducted on a basis of principle, not merely of supporting anyone who opposes communism. In Asia we would be ill-advised to support non-Communist regimes unless they can gain the acquiescence of the organized peasant masses, on whom political power will in the future increasingly be based. Non-Communist regimes cannot get such support unless they stand for principles and programs which are superior to those of communism from the point of view of the peasant—not merely from the American point of view.

As for the future, we must be prepared to see the present National government lose ground steadily while we stand by helpless to prevent it, until factions separate, less extensive regimes are organized and reorganized, and the Chinese Communist tide has reached its watermark. Only after a period of change and

regrouping in Chinese politics can we hope, in the midst of the prevailing chaos, to find ideological allies—and such allies may not emerge for some time. Chinese communism may be expected to recruit trained professional and technical personnel, so essential for any new Chinese regime, by the old device of a united front or coalition government, under Communist control but made palatable to non-Communists.

In proportion as the Chinese Communists, who have hitherto gained influence chiefly in agrarian areas, get control over cities and national affairs, we can expect them to face increasing problems. If Chinese communism stays closely within Moscow's orbit, it must eventually come in conflict with genuine Chinese patriotism. If Communist reconstruction of China has to build by taxing the peasant's surplus, it may offer him far less than could be offered with our help in technological know-how and materials. The inheritors of the Kuomintang will not have an easy time.

During this critical period Marxist dogmatism may drive a Chinese Communist regime into increasing despotism. Yet we cannot counter this trend by aid from abroad unless and until Chinese sentiment leads the way. If the great body of Chinese who are now disillusioned with the Kuo-

mintang are eventually to become disillusioned with communism, they must accomplish this themselves. We cannot do it for them, and our efforts to save them against their will would only be resented and used against us.

It is therefore most important that the United States retain a certain measure of diplomatic flexibility with respect to Chinese politics. Any commitment to deal only with a recognized Chinese government-in-exile, or with Chiang Kai-shek bolstered by American aid in a South China or a Formosan base, can only handicap our cause. Without indulging in much hope that we can work with Chinese communism, we must avoid accepting claims to legitimacy by Chinese political figures who have lost credit with their own people. The Chinese Communist success helps Russia, but cannot be equated with Russian conquest of China. We have to face up to the fact that the Communist movement is not only genuinely Communist but also genuinely Chinese.

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## ***Ruhr Settlement Adds To Queuille's Difficulties***

When the French National Assembly reconvened on November 16, the pressure to which Premier Queuille's "Third Force" government has been subjected from both the extreme Right and Left grew more intense despite the relative success of the administration in dealing with the costly coal strike; and French disagreement with the United States and Britain on establishment of international control over Ruhr industries added another burden to the harassed regime. Spearheading the extremist political pressures was a Communist-led general strike in Paris on November 13 resulting in scattered violence, and the success of de Gaulle's supporters in the November 7 elections for the Council of the Republic, the upper chamber of parliament.

### ***The Ruhr Issue***

A note of disharmony between France and the Western powers was struck on November 10 following the announcement that American and British Military Governments would turn over limited and

temporary control of the Ruhr coal, iron and steel industries to German trustees pending final determination of ownership by a future German government. The clash of views was brought into the open the next day, when representatives of the United States, Britain, France, Belgium, the Netherlands, and Luxembourg met in London to work out a detailed blueprint for an International Authority to regulate the distribution of the Ruhr's coal, coke, and steel, according to the formula adopted in the London agreement of June 7.

The chief difference of opinion arises out of France's contention that there should be international control not only of distribution, but also of the production, of the Ruhr's industries. Back of this view lies France's traditional fear of a strong Germany, for whose resurrection the Ruhr industries would be indispensable. The Ruhr has become the focal point of French fears to an even greater extent now that the industrial areas of Upper Silesia and the Saar have been in practice transferred to Poland and France,

respectively. The Ruhr area consequently produces about 90 per cent of the steel and 70 per cent of the coal and iron left to Germany.

At the Moscow conference of Foreign Ministers in March-April 1947 the French put forward a plan for international ownership of the Ruhr industries in which steel production would be restricted, while coal production would be maximized, particularly for export to France to build up the Lorraine steel industry. This plan would insure France industrial superiority over Germany. The chief obstacle to international control was the unwillingness of the United States and Britain to give Russia the power to frustrate attempts at Western European recovery. Secretary of State Marshall then argued that international control could be established only if all industrial areas, including Upper Silesia, were to be included. Russian insistence upon unilateral control of the Silesian resources, plus its alleged long-term unwillingness to co-operate in the four-power control of Germany,

finally induced the Western powers to act independently.

In August 1947, accordingly, the United States and Britain raised the permitted level of industry in the bizon to that of 1936, about one-third higher than the limit set in March 1946. Actual production, however, continued at about one-half the permitted amount. The new German trusteeship plan is primarily designed to create conditions favorable to increased production.

Meanwhile, in the London agreement of June 7 the United States and Britain had agreed in part to French demands for international control. To calm French fears of German militarism, moreover, a section was inserted in the agreement providing that there would be no withdrawal of the occupation forces without prior consultation between the Western powers until the peace of Europe was secure. The French were also assured that Military Government would retain various controls over the German-run industries.

After a bitter debate, the French National Assembly voted 300 to 286 to accept the agreement with reservations, which included internationalization of the Ruhr industries together with French participation in their control. As the six powers met in London on November 11,

the French delegate emphasized the position of his government on ownership and control of the industries in question. The same day French President Vincent Auriol, in an unusually bitter speech, said, "It would be unpardonable to return the arsenal of the Ruhr to the accomplices of Hitler."

American and British spokesmen, for their part, pointed out that the announced plan calls for deconcentration of control to eliminate the power of the cartels, and that none of the trustees who will administer the various plants can be men who "permitted and encouraged the Nazi Party." On November 12 the French delegate admitted that the question of ownership of Ruhr industries was a subject for solution through diplomatic channels, while the United States and Britain agreed to consider at the conference control of production as well as of distribution.

### *De Gaulle's Gains*

The decision on the Ruhr is likely to provide useful ammunition for both de Gaullists and Communists in France. The seriousness of the Rightist challenge to the government has been heavily reinforced by the results of the elections to the Council of the Republic in which 40 per cent of the members chosen on Novem-

ber 7 are supporters of de Gaulle. Although, for technical reasons, the results do not necessarily reflect accurately the distribution of public opinion, they do strengthen de Gaulle's hand, both in the upper chamber and in arguing for new elections in which he hopes to emerge the victor.

De Gaulle himself has long contended that a powerful upper house on the American model is a desirable restraint on the tendency of the National Assembly toward factionalism. He may now use his leverage in the Council to override government bills sent up from the Assembly. To become effective, the bills would then require repassage by an absolute majority of all the members of the Assembly rather than the simple majority of those voting needed for original passage. If the Third Force government fails to keep the support of an absolute majority, as is quite possible—particularly since the Socialists and MRP on November 14 made new demands which are opposed by the Radicals, some of whom have already switched to de Gaulle's camp—the maintenance of the coalition regime may prove impossible. New elections would then become inevitable.

FRED W. RIGGS

## ***World Crises Increase Demands On Secretary of State***

WASHINGTON—Reports that Secretary of State George C. Marshall intends to resign are credited in Washington, although they remain unconfirmed; and on November 14 Secretary of Defense James F. Forrestal announced his intention of leaving government service. President Truman will find it hard to fix on their successors. The progressive involvement of the United States in international affairs has enlarged the qualifications the President must look for in selecting members of his cabinet. Whether they are directly responsible for home or foreign affairs, these officials need to have a grasp both of what the United States wants at home and of how to relate this country's domestic and foreign interests to foreign requirements. Such breadth of approach is especially important in the cases of the Secretaries of State and of Defense. Candidates for the former post are numerous. The next Secretary of State might well be Truman's successor as Presidential candidate of the Democratic party in 1952.

### *Needed Qualifications*

The ideal Secretary of State is a vigorous man, strong enough to save essential foreign policy objectives from fatal compromise with the diverse domestic interests he must satisfy. The principal change in the task of the Secretary since President Truman took office in April 1945 is that he now has to assert his leadership over a far larger number of persons than was true three and a half years ago. The State Department and the Foreign Service have grown to include 20,000 employees. Moreover, a basis of agreement on policy must be found with some 45 other agencies of the executive branch, notably the Military Establishment, as well as with Congress. Abroad the Secretary must keep the support of friendly governments in the United Nations and encourage the Organization of European Economic Cooperation to follow the course most satisfactory from the point of view of the United States.

Under present circumstances a man of these qualifications also should be willing to subordinate himself to the President.

Hitherto Mr. Truman has not looked for this particular quality. His three Secretaries—Edward R. Stettinius, Jr., James F. Byrnes, and General Marshall—have had a free hand, but the existence of a disagreement between President Truman and Secretary Marshall came to light last month, when the President planned to send Chief Justice Vinson to Moscow for direct negotiations with Stalin, and Marshall vigorously objected. Full trust and agreement between the President and the Secretary of State are needed for consistency in foreign policy, but such a relationship seldom exists. The memoirs of Cordell Hull reveal that President Roosevelt often circumvented him when he was Secretary of State (1933-44). President Truman looked more to Harry Hopkins than to Mr. Stettinius for guidance when the latter was Secretary of State, and the President dropped Mr. Stettinius in the summer of 1945 in order to pay to James F. Byrnes a political debt he had inherited from President Roosevelt. Mr. Byrnes stayed in office only 18 months before he



resigned in favor of General Marshall.

The prospective candidates for the office, assuming it becomes vacant, include Chief Justice Vinson, on whom President Roosevelt relied for special jobs and who helped to negotiate the British financial agreement in 1945-46 during the brief period when he was President Truman's Secretary of the Treasury; Dean Acheson, Under-Secretary of State 1945-47 and Assistant Secretary before that, a lawyer with an unusual knowledge of the internal structure of the State Department; W. Averell Harriman, now the President's Representative Abroad for the Marshall plan, formerly Secretary of Commerce and Ambassador to the Soviet Union; Lewis W. Douglas, Ambassador to Britain; Justice William O. Douglas of the Supreme Court; Oscar Ewing, administrator of the Federal Security Administration, one of the few men who worked confidently and energetically for Mr. Truman's election; and John S. Dickey, president of Dartmouth College, who pioneered in the development of public relations programs in the State Department between 1934 and 1945. Mr. Dickey, a lawyer, is backed by some officials of the CIO, which takes partial credit for Mr. Truman's success on election day.

### **Policy Change with Secretary?**

Although President Truman aimed at continuity in foreign policy when he changed Secretaries in 1945 and 1947, foreign policy has nevertheless wavered under Stettinius, Byrnes, and Marshall. Stettinius brought the idea of one-world co-operation to fruition when the United Nations Charter was signed at San Francisco. In a period when the United States and the Soviet Union were losing confidence in one another, Mr. Byrnes managed to negotiate arrangements for the occupation of Japan in Moscow in 1945, and in 1946 completed in substance the peace treaties with Italy and its satellite states. Marshall has stressed the development of Western regional co-operation instead of concessions to the Soviet Union. The failure of Russian-American understanding was signalized by the Truman Doctrine; the publication of an essay in *Foreign Affairs* for July 1947 on containment of Russia by George F. Kennan, head of the

Policy Planning Board in the State Department; the Marshall plan; and preliminary negotiations for an Atlantic pact, in the interest of which Secretary of Defense Forrestal visited Western Europe last week.

The abortive Vinson mission represented the belief of some American officials that the United States should resume its efforts to obtain solid Russian-American agreement, and the recommendation on November 12 by Herbert V. Evatt, president of the UN General Assembly, and Trygve Lie, UN Secretary-General, that the United States and the Soviet Union negotiate a settlement of the Berlin crisis has encouraged this belief. Should the idea of a new attempt at agreement with Moscow gain ground, the new Secretary of State may be appointed to formulate a new foreign policy.

BLAIR BOLLES

### **FPA Material on China**

For background information on the current crisis READ

Lawrence K. Rosinger's

CHINA IN FERMENT

*Foreign Policy Reports* — 25 cents

FORGING A NEW CHINA

*Headline Series* — 35 cents

### **Branch & Affiliate Meetings**

CLEVELAND, November 22, *Which Way France?* André Maurois

MILWAUKEE, November 30, *The German Situation*, Raymond Moley

AUSTIN, December 1, *Korea*, Leonard Bertsch

LYNN, December 2, *Germany and Its Relation to the World Situation*, Sidney Fay

OKLAHOMA CITY, December 2, *Korea*, Leonard Bertsch

CLEVELAND, December 3, *Twenty-fifth Anniversary Dinner*, Sumner Welles, Brooks Emeny

PHILADELPHIA, December 3, *The Middle East*, John S. Badeau

SAN FRANCISCO, December 3-5, *Positive Alternatives to Communism*, Raymond Swing, O. Meredith Wilson, John B. Condliffe, Laurence Sears

SPRINGFIELD, December 4, *What Future for Britain*, Hartley Grattan, Hans Kohn

## **News in the Making**

The UN Political and Security Committee passed on November 10 a *resolution on the Balkans* introduced by the United States, Britain, France and China. This resolution found that Yugoslavia, Bulgaria and Albania are endangering the peace by "continued aid given" to the Greek guerrillas, called on the three Balkan countries to stop such aid, and recommended continuance of the UN Balkan Commission, vigorously opposed by Russia and Yugoslavia. . . . It was also reported from Paris that under the leadership of Herbert V. Evatt of Australia, president of the UN General Assembly, *conversations had begun between the accused Balkan countries and Greece*, where Foreign Minister Tsaldaris was trying to form a government following the resignation of the Sophoulis cabinet on November 12. *The first municipal elections in the corporate Spanish state* will be held on the next three Sundays—November 21 and 28, and December 5. "Heads of families," numbering about 6 million, will elect one-third of the membership of town or city councils; government-controlled syndicates of employers and employees will name another third; and these elected representatives will vote together on December 5 to choose the remaining one-third from lists of candidates submitted by provincial governors. . . . For the first nine months of 1948 *United States exports* dropped 19 per cent, and imports gained 24 per cent over the corresponding period of 1947. This development is welcomed by world trade experts as an indication that the exchange of goods is becoming more free. . . . *Negotiations for a peace settlement between Israel and at least some of the Arab states* appear to be in the making. The Israel government takes the view that peace in Palestine is possible provided the great powers abstain from interference. With Britain reluctant to acquiesce in Israel's recent territorial gains, the United States is once more placed in the position of having to make a crucial and far-reaching decision in a strategic area where American policy has been subject to sudden change without notice.

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